

**Report of the Chief Constable to the Chair and Members  
of the Policy & Resources Panel  
27<sup>th</sup> January 2010**

**Executive & Presenting Officer: Mrs Ann Hall, Assistant Chief Officer  
(Finance & Commissioning)**

**Status: For Information**

**Treasury Management to 30<sup>th</sup> November 2009**

**1 Purpose**

- 1.1 Local Authorities' (including Police Authorities) treasury management activities are prescribed by the Local Government Act 2003. Essentially a police authority may borrow or invest for any purpose relevant to its functions, under any enactment, or 'for the purpose of the prudent management of its financial affairs'.
- 1.2 Members agreed an investment strategy for 2009/10 at their meeting on 26<sup>th</sup> February 2009. At this meeting Members resolved to continue to delegate authority to amend the approved List of Counterparties and the investment limits with institutions to the Chief Executive in consultation with the Deputy Section 151 officer. This delegated authority was initially to be withdrawn at 30<sup>th</sup> September 2009 but Members agreed at their Meeting on the 10<sup>th</sup> September to extend this authority until the 31<sup>st</sup> March 2010. The new CIPFA code will be reviewed upon its receipt and incorporated into policy going forward from the 2010/11 financial year and incorporated into the Prudential Borrowing Indicators & Treasury Management Strategy 2010/2014 which will be presented to the Authority in February.
- 1.3 This report is to update Members on the status of the Authority's investments and borrowing. It is part of the process introduced by the Authority to maintain prudent financial management.

## 2 Recommendations

2.1 Members are requested to note the contents of the report.

## 3 Reasons

### 3.1 Market Conditions

Whilst conditions within the Financial Markets are now less turbulent than they have been, we continue to only place investments with a select few institutions and where possible we primarily place these investments where the money is instantly accessible.

### 3.2 Return on Investments

The LTFP was based on having £16m invested throughout the year, at an interest rate of 1.69%, generating £270k of interest. With the Bank of England base rate having reduced to 0.5%, as of the 5<sup>th</sup> March, from 1.5% when the budget was set, a pressure of £160k is expected to materialise in this area.

### 3.3 Investments

As at the end of November the Force had £7.6m of external investments in place, these are detailed in the table below. This is £0.4m lower than forecast. The Graph at Appendix C sets out the expected Cash balances throughout 2009/10 and shows these in comparison to 2008/09.

<b>Investment Placed With</b>	<b>Date Investment Made</b>	<b>Date Investment will Mature</b>	<b>Amount Invested £</b>
Alliance & Leicester	03.11.09	01.12.09	1,000,000
Alliance & Leicester	12.11.09	14.12.09	1,000,000
Nat West	04.11.09	01.12.09	500,000
Nat West	05.11.09	18.12.09	4,000,000
Nat West Holding Account (Instant Access)	n/a	n/a	1,100,000
<b>Total Investments</b>			<b>7,600,000</b>

3.4 Whilst returns on investments are of secondary importance to the security of the sums invested, it is still important to ensure that the best financial decisions are being made. With this in mind we will track the investments that we make throughout the year against the 7 day Average Interest Rate. The investments made so far this year are shown at Appendix D. With the exception of 4 short term deals made during July all of the investments have been made at an interest rate higher than the 7 day average.

### 3.5 Long Term Loans

All loans are from the Public Works Loan Board. The loan profile is set out at Appendix A. As at the end of November the Authority had £11.108m of

outstanding long term loans. This is well within the Operational Boundary for External Debt of £16.380m and also the Authorised Limit for External Debt of £18.380m approved by the Authority on 26<sup>th</sup> February 2009.

- 3.6 The maturity date of these loans is spread over the next 10 financial years. One loan has been repaid during this financial year, on the 30<sup>th</sup> September, for £320k. Appendix B refers.
- 3.7 The Authority is incurring a range of interest charges of between 4.40% and 5.30% on the outstanding loans with the average charge being 4.88%. The cost to the organisation of these loans for this financial year will be £542k, with the repaid loan having already incurred £8k of interest.
- 3.8 To underpin the approved Capital Programme for 2009/10 it will be necessary for the Authority to take out loans with the Public Works Loan Board (PWLB) totalling £3,272k. The timing of this loan has not yet been determined and will be dependent on the progression of the Capital Programme, the needs of the cash flow of the Force and the interest rates available on the loans.
- 3.9 The current rate of interest for a 10.5 to 11 year loan, which is the period over which we are likely to take the loan out, is 3.84%.

## **4 Implications**

### **4.1 Finance**

There are no financial implications other than those mentioned above.

### **4.2 Diversity & Equal Opportunities**

Diversity considerations are kept under constant review in line with Force policies and 'Putting People First'. There are no issues arising from this report to bring to Members attention.

### **4.3 Human Rights Act**

There are no Human Rights Act implications arising from this report.

### **4.4 Sustainability**

This report is part of the process introduced by the Authority to establish sustainable annual and medium term financial plans and maintain prudent financial management.

### **4.5 Risk**

There are no additional risks arising from this report.

## **5 Conclusion**

- 5.1 The protection of the Authority's underlying investments will continue to be of utmost importance throughout 2009/10. To that end the investments of the Authority will continue to be placed in a prudent manner and also one that ensures sufficient funds are available to meet its commitments as they become due.

Sean Price  
Chief Constable

## APPENDIX A

### Schedule of Fixed Rate Loans

Loan Number	Balance	Interest Rate	Loan Repayment Date	Annual Interest Charges
	£000	%		£000
481392	repaid	5.000	Sep-09	repaid
483442	354	5.250	Sep-10	19
485148	385	5.000	Sep-11	19
486372	575	5.125	Sep-12	29
487161	1,106	4.625	Sep-12	51
488248	860	5.300	Sep-13	46
489234	1,340	4.800	Sep-14	64
489425	1,100	4.700	Sep-15	52
491366	872	4.400	Sep-16	38
493143	872	4.950	Mar-17	43
494503	872	4.520	Sep-18	39
494694	2,772	5.080	Sep-19	141
<b>Totals</b>	<b>11,108</b>			<b>542</b>

## APPENDIX B

### Repayments to be made

Financial Year	£000
2009/10	repaid
2010/11	354
2011/12	385
2012/13	1,681
2013/14	860
2014/15	1,340
2015/16	1,100
2016/17	1,744
2018/19	872
2019/20	2,772
<b>Total</b>	<b>11,108</b>

APPENDIX C

